

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 SP-02 USIA-06 AID-05 NSC-05
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03
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DEPT PASS AID

EO 11652: NA
TAGS: EFIN, ECON, EAID, EG
SUBJ: ABU ISMAIL ON IBRD CONSULTATIVE GROUP (CG)

1. DURING DISCUSSION WITH EMBOFF ON PEOPLES ASSEMBLY (PA) RESIVIONS TO LAW 43, DR AHMAD ABU ISMAIL, CHAIRMAN OF PA PLAN AND BUDGET COMMITTEE AND FORMER MINFIN, TOOK OCCASION TO CRITICIZE OUTCOME RECENT PARIS CONSULTATIVE GROUP MEETING AND DEPPRIMINKAISSOUNI'S PRESENTATION FOR EGYPT. ABU ISMAIL SAID THAT EXPRESSIONS OF INTERNATIONAL SUPPORT ARE FINE BUT ASKED WHAT REQUESTS WERE MADE FOR ASSISTANCE IN 1978 AND BEYOND. (KAISSOUNI HAS NOT YET REPORTED TO PA ON CG) HE SAID THAT MEETING WAS FAILURE UNLESS IT LINED UP COMMITMENTS FOR CASH ASSISTANCE FOR NEXT FEW YEARS. 1977 WILL END IN BARE SIX MONTHS, ABU ISMAIL OBSERVED, AND ASKED THEN WERE WILL FUNDS COME FROM TO PAY EGYPT'S OBLIGATIONS. KAISSOUNI, HE SAID, WOULD BE QUESTIONED CLOSELY ON THIS POINT WHEN FORMER MAKES HIS REPORT TO PA.

2. EMBOFF NOTED THAT CG MEMBERS REPORTEDLY HAD EXPRESSED GENERAL SUPPORT FOR EGYPTIAN INITIATIVES TO RIGHT THE ECONOMY
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AND HAD IMPLICITLY AGREED TO HELP, AS LONG AS EGYPT CONTINUES TO SEEK SOLUTIONS TO SUCH PROBLEMS AS ITS SHORT-TERM LIABILITY CRISIS. ABU ISMAIL RETORTED THAT ARABS "DON'T UNDERSTAND SITUATION. SHORT TERM DEBT ROLLOVERS ARE BASIS FOR OPERATING CASH FLOW OF EGYPTIAN GOVT, HE SAID; IF THESE ARE CHANGED TO MEDIUM-TERM OBLIGATIONS, EGYPT WILL BE UNABLE TO PAY ITS IMPORT BILLS OVER NEXT TWO YEARS. ABU ISMAIL ASKED SARCASTICALLY HOW

KAISSOUNI HAS SOLVED THAT PROBLEM.

3. COMMENT: SINCE LAVING CABINET INVOLUNTARILY IN LATE 76, ABU ISMAIL HAS BEEN CRITIC OF MINISTERIAL "ECONOMIC GROUP", CITING EFFECTIVENESS OF ACTIONS WHICH HE TOOK WHILE MIN OF FINANCE TO PAY BILLS, CUT DEFICIT, CURB INFLATION AND KEEP ECONOMY ON EVEN KEEL. STEPS TAKEN BY KAISSOUNI HVE, ACCORDING TO ABU ISMAIL, BEEN EITHER TOO RADICAL OR UNNECESSARY AND HAVE NOT ELIMINATED NEED OR CASH ASSISTANCE IN ANY EVENT. MORE IMPORTANTLY, KAISSOUNI'S ACTIONS HAVE INCREASED PRICES, THUS WEAKENING REGIME, WITHOUT SOLVING ANY BASIC PROBELMS. ALTHOUGH HE HAS NOT BEEN TOTALLY EXPLICIT, ISMAIL EVIDENTLY BELIEVES THAT THESE ACTIONS BY ECONOMIC GROUP WERE FORCED ON GOE BY IMF AND ARAB DONORS, AND THAT THEY WILL EVENTUALLY LEAD TO FURTHER POLITICAL INSTABILITY.

4. HAVING BEEN FIRED AS MIN OF FINANCE, WHERE HE WAS NOT NOTABLY EFFECTIVE, ISMAIL HAS ADOPTED DOG-IN-THE-MANGER ATTITUDE TOWARD HIS SUCCESSORS, WHOM WE BELIEVE ARE IMPROVEMENTS.
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